

KB HOME  
Form 11-K  
June 30, 2008

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 11-K**

**þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2007

OR

**o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-9195

**KB HOME 401(k) SAVINGS PLAN**

(Full title of the plan)

**KB HOME**

**10990 Wilshire Boulevard**

**Los Angeles, California 90024**

(Name of issuer of the securities held pursuant to the plan  
and the address of its principal executive office)

---

**Table of Contents**

Financial Statements and Supplemental Schedule  
KB Home 401(k) Savings Plan  
Years ended December 31, 2007 and 2006

---

KB Home 401(k) Savings Plan  
Financial Statements and Supplemental Schedule  
Years ended December 31, 2007 and 2006  
Contents

|  |   |
|--|---|
| <u>Report of Independent Registered Public Accounting Firm</u>   | 1 |
| <u>Audited Financial Statements</u>  |   |
| <u>Statements of Net Assets Available for Benefits</u><br><u>as of December 31, 2007 and 2006</u>                          | 2 |
| <u>Statements of Changes in Net Assets Available for Benefits</u><br><u>for the years ended December 31, 2007 and 2006</u> | 3 |
| <u>Notes to Financial Statements</u>   | 4 |
| <u>Supplemental Schedule</u>   |   |
| <u>Schedule H, Line 4(i) Schedule of Assets (Held at End of Year)</u>  | 9 |

---

**Table of Contents**

Report of Independent Registered Public Accounting Firm

The Administrative Committee, as Plan Administrator  
of the KB Home 401(k) Savings Plan

We have audited the accompanying statements of net assets available for benefits of the KB Home 401(k) Savings Plan (the Plan) as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Plan's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2007 and 2006, and the changes in its net assets available for benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2007, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

/s/ Ernst & Young LLP  
Los Angeles, California  
June 24, 2008

**Table of Contents**

KB Home 401(k) Savings Plan  
Statements of Net Assets Available for Benefits

|  | <b>December 31,</b>   |                       |
|--|-----------------------|-----------------------|
|  | <b>2007</b>           | <b>2006</b>           |
| <b>Assets</b>                            |                       |                       |
| Cash                                     | \$                    | \$ 161,507            |
| Investments, at fair value               | 184,776,750           | 192,254,279           |
| Receivables                              | 93,432                | 6,488                 |
| <b>Total assets</b>                      | <b>184,870,182</b>    | <b>192,422,274</b>    |
| <b>Liabilities</b>                       |                       |                       |
| Administrative expenses payable          | 4,947                 | 4,636                 |
| <b>Total liabilities</b>                 | <b>4,947</b>          | <b>4,636</b>          |
| <b>Net assets available for benefits</b> | <b>\$ 184,865,235</b> | <b>\$ 192,417,638</b> |

*See accompanying notes to financial statements.*

**Table of Contents**

KB Home 401(k) Savings Plan  
Statements of Changes in Net Assets Available for Benefits

|  | <b>Years ended December 31,</b> |                |
|--|---------------------------------|----------------|
|  | <b>2007</b>                     | <b>2006</b>    |
| <b>Additions</b>   |                                 |                |
| Contributions from:  |                                 |                |
| Plan Participants  | \$ 18,277,037                   | \$ 25,944,699  |
| Employer, net of forfeitures                                 | 6,276,601                       | 10,990,299     |
|  | 24,553,638                      | 36,934,998     |
| Investment income:   |                                 |                |
| Interest and dividends                                       | 13,560,288                      | 14,524,330     |
| Net depreciation in fair value of investments                | (5,583,487)                     | (5,035,159)    |
|  | 7,976,801                       | 9,489,171      |
| Total additions  | 32,530,439                      | 46,424,169     |
| <b>Deductions</b>  |                                 |                |
| Benefits paid to Participants                                | 40,027,042                      | 27,900,295     |
| Administrative expenses                                      | 55,800                          | 66,437         |
| Total deductions   | 40,082,842                      | 27,966,732     |
| Net (decrease) increase in net assets available for benefits | (7,552,403)                     | 18,457,437     |
| <b>Net assets available for benefits</b>                     |                                 |                |
| Beginning of year  | 192,417,638                     | 173,960,201    |
| End of year  | \$ 184,865,235                  | \$ 192,417,638 |

*See accompanying notes to financial statements.*

**Table of Contents**

KB Home 401(k) Savings Plan  
Notes to Financial Statements  
December 31, 2007

**1. General Description of the Plan**

The KB Home 401(k) Savings Plan (the Plan), formerly the Kaufman and Broad Home Corporation Amended and Restated 401(k) Savings Plan, is a defined contribution plan in which all eligible employees of KB Home (the Company) may participate on the first day of the month following their date of hire.

Eligible employees who elect to participate in the Plan (each, a Participant) may contribute up to 25% of their annual eligible compensation (15% prior to January 1, 2007), on a pretax basis, by means of payroll deduction. Participants may also contribute up to an additional 15% of their annual eligible compensation, on an after-tax basis, also by means of payroll deduction. All contributions must be in whole percentages. Pretax contributions are eligible for tax deferred treatment up to the limits provided by the Internal Revenue Code (the Code), as adjusted for cost of living. Effective as of August 1, 2003, each Participant whose designated per payroll period contribution rate is at least 6%, who has attained (or will attain) age 50 before the close of a Plan year and whose contributions for the Plan year will exceed the limits of Code Section 402(g) or other Plan limit, is eligible to make a catch-up contribution in accordance with, and subject to the limitations of, Code Section 414(v).

Unless otherwise elected by its Board of Directors, the Company will match a Participant's pretax contribution up to 6% of annual eligible compensation (for Participants paid on a commission basis, matching eligible compensation shall not exceed \$50,000). Company matching contributions and related investment income vest to Participants over five years.

Rollover contributions transferred from other qualified retirement plans or from Individual Retirement Accounts are accepted as permitted by the Plan.

Plan assets are held in trust by Fidelity Management Trust Company, Inc. (the Trustee). Participants may direct the investment of their contributions among one or more of the several fund options offered by the Plan.

Participants who terminate their employment with the Company may elect to withdraw or rollover their contributions, vested Company contributions, and related investment income. Withdrawals or rollovers (to a separate defined contribution plan or individual retirement account) may be processed without a formerly employed Participant's consent if the Participant's vested benefits total less than \$5,000. Vested benefits totaling \$1,000 or less will be distributed as a lump-sum payment, and vested benefits totaling more than \$1,000 but less than \$5,000 will



**Table of Contents**

KB Home 401(k) Savings Plan  
Notes to Financial Statements  
December 31, 2007

**1. General Description of the Plan (continued)**

be rolled into an individual retirement account. Formerly employed Participants may keep vested benefits totaling \$5,000 or more in the Plan.

Unvested Company contributions for formerly employed Participants are forfeited and used by the Company to offset future matching contributions. For the years ended December 31, 2007 and 2006, the Company used \$3,923,917 and \$1,936,723, respectively, of forfeitures to offset matching contributions. The forfeiture balances available to offset future matching contributions were \$235,556 and \$952,344 at December 31, 2007 and 2006, respectively.

The Plan allows Participants to borrow against their vested benefits and to take hardship withdrawals subject to certain limitations.

As of the date of this report, the Company expects and intends to continue the Plan, but reserves the right to amend, suspend or terminate the Plan at any time. In the event of Plan termination, benefits of all affected Participants, if not already so, shall become 100% vested and not subject to forfeiture.

**2. Summary of Significant Accounting Policies**

The financial statements of the Plan are prepared on an accrual basis. Investment income is recorded as earned. Distributions of Plan benefits to Participants who withdraw from the Plan are recorded when distributed. Certain administrative expenses of the Plan, such as recordkeeping fees, are paid directly by the Company. Other administrative expenses arising from Participants' individual elections under the Plan, such as loan administration and withdrawal fees and fees related to the unitized stock fund (the KB Home Stock fund), are paid directly by such Participants.

The financial statements are based on information provided to the Company and are certified as complete and accurate by the Trustee. Certain adjustments have been made to the financial statements provided by the Trustee in order for them to conform to the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that could affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Table of Contents**

KB Home 401(k) Savings Plan  
Notes to Financial Statements  
December 31, 2007

**3. Investments**

Investments are valued at fair value, which is determined daily by the Trustee through reference to published market information using closing prices on the valuation date for mutual funds and common stock and based on closing balances for cash and Participant loans. The fair value of the Plan's individual investments that represent 5% or more of the Plan's net assets as of December 31, 2007 and 2006, were as follows:

|                                  | <b>December 31,</b> |               |
|----------------------------------|---------------------|---------------|
|                                  | <b>2007</b>         | <b>2006</b>   |
| Fidelity Contrafund              | \$ 24,203,495       | \$ 22,440,334 |
| Fidelity Equity Income           | 13,765,334          | 15,587,851    |
| Fidelity Intermediate Bond       | 9,797,173           | 10,430,981    |
| Fidelity Low-Priced Stock        | 11,222,298          | 13,930,586    |
| Fidelity Magellan                | 19,057,981          | 18,493,129    |
| Fidelity Retirement Money Market | 18,502,094          | 16,866,934    |
| KB Home Common Stock             | *                   | 18,871,912    |
| Templeton Developing Markets A   | 9,592,466           | *             |

\* Represents less than 5% of the Plan's net assets

The Plan's concentrations of credit and market risk are dictated by its terms, as well as by those of ERISA and an individual Participant's investment preference. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of these investments, it is possible that changes in risks in the near term could materially affect Participants' account balances and amounts reported in the statements of net assets available for benefits and the statements of changes in net assets available for benefits.

Net appreciation (depreciation) of the Plan's investments (including investments bought, sold, and held during the year) for the years ended December 31, 2007 and 2006, were as follows:

|                      | <b>Years ended December 31,</b> |                       |
|----------------------|---------------------------------|-----------------------|
|                      | <b>2007</b>                     | <b>2006</b>           |
| Mutual Funds         | \$ 4,984,887                    | \$ 3,596,073          |
| KB Home Common Stock | (10,568,374)                    | (8,631,232)           |
| <b>Total</b>         | <b>\$ (5,583,487)</b>           | <b>\$ (5,035,159)</b> |

**Table of Contents**

KB Home 401(k) Savings Plan  
Notes to Financial Statements  
December 31, 2007

**4. Tax Status of the Plan**

The Plan has received a determination letter from the Internal Revenue Service dated February 28, 2002 stating that the Plan is qualified under Code Section 401(a) and, therefore, the related trust is exempt from taxation. Subsequent to this determination by the Internal Revenue Service, the Plan has been amended (and/or restated). Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan, as amended (and/or restated), is qualified and the related trust is tax exempt.

**5. Legal Matter**

*Bagley, et al., v. KB Home, et al.*

This class action lawsuit was filed on March 16, 2007, against the Company, certain of its former officers and directors, and members of the KB Home 401(k) Savings Plan Administrative Committee. On March 17, 2008, the two existing plaintiffs, together with two additional plaintiffs, filed a first amended complaint. The plaintiffs, who claim to be former employees of KB Home who participated in the Plan, allege that defendants breached fiduciary duties owed to plaintiffs and purported class members under the Employee Retirement Income Security Act of 1974 by failing to disclose information, and providing other misleading information, to Participants in the Plan about the Company's alleged prior stock option backdating practices. Plaintiffs also allege that defendants breached their fiduciary duties by failing to remove the Company's stock as an investment option under the Plan. The Plan itself is not named as a defendant. The outcome of the matter, if any, is unknown, but it is not expected to have a material impact on the net assets of the Plan.

**6. Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS No. 157), which provides guidance for using fair value to measure assets and liabilities, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and for interim periods within those years. In February 2008, the FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157," which delayed for one year the applicability of SFAS No. 157's fair-value measurements to certain nonfinancial assets and liabilities. The

**Table of Contents**

KB Home 401(k) Savings Plan  
 Notes to Financial Statements  
 December 31, 2007

**6. Recent Accounting Pronouncements (continued)**

Company is currently evaluating the potential impact of SFAS No. 157 on the Plan's financial statements.

**7. Reconciliation to Form 5500**

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500:

|  | <b>December 31,<br/>2007</b> |
|--|------------------------------|
| Net assets available for benefits per the financial statements | \$ 184,865,235               |
| Benefits payable   | (33,314)                     |
| <br>   |                              |
| Net assets available for benefits per the Form 5500            | \$ 184,831,921               |

The following is a reconciliation of benefits paid to Participants per the financial statements to the Form 5500:

|  | <b>Year Ended<br/>December 31,<br/>2007</b> |
|--|---|
| Benefits paid to Participants per the financial statements | \$ 40,027,042                               |
| Benefits payable   | 33,314                                      |
| <br>   |   |
| Benefits paid to Participants per the Form 5500            | \$ 40,060,356                               |

**Table of Contents**

Supplemental Schedule

9

---

**Table of Contents**

KB Home 401(k) Savings Plan  
 EIN: 95-3666267      Plan Number: 001  
 Schedule H, Line 4(i) Schedule of Assets (Held at End of Year)  
 December 31, 2007

| Identity of Issue  | Description of Asset  | Current Value  |
|--|-----------------------|----------------|
| Mutual Funds:  |                       |                |
| American Beacon Small Cap Value  | 170,064.001 shares    | \$ 2,994,827   |
| Dimension US Large Cap Value   | 76,527.055 shares     | 1,775,428      |
| Fidelity Asset Manager*  | 456,510.455 shares    | 7,080,477      |
| Fidelity Consumer Discretionary*   | 16,804.020 shares     | 353,221        |
| Fidelity Contrafund*   | 331,055.872 shares    | 24,203,495     |
| Fidelity Equity Income*  | 249,552.837 shares    | 13,765,334     |
| Fidelity Financial*  | 9,729.211 shares      | 931,280        |
| Fidelity Freedom Income*   | 45,660.121 shares     | 522,808        |
| Fidelity Freedom 2000*   | 21,783.965 shares     | 269,468        |
| Fidelity Freedom 2010*   | 119,152.808 shares    | 1,765,845      |
| Fidelity Freedom 2020*   | 281,896.685 shares    | 4,456,787      |
| Fidelity Freedom 2030*   | 231,174.313 shares    | 3,819,000      |
| Fidelity Freedom 2040*   | 326,313.287 shares    | 3,175,028      |
| Fidelity Healthcare*   | 19,632.969 shares     | 2,470,220      |
| Fidelity Industrials*  | 58,341.250 shares     | 1,299,260      |
| Fidelity Intermediate Bond*  | 965,238.739 shares    | 9,797,173      |
| Fidelity Low-Priced Stock*   | 272,849.447 shares    | 11,222,298     |
| Fidelity Magellan*   | 203,025.262 shares    | 19,057,981     |
| Fidelity Natural Resources*  | 152,639.187 shares    | 6,113,199      |
| Fidelity Overseas*   | 182,010.629 shares    | 8,807,494      |
| Fidelity Retirement Money Market*  | 18,502,093.870 shares | 18,502,094     |
| Fidelity Technology*   | 22,941.728 shares     | 1,865,621      |
| Fidelity Utilities Growth*   | 27,231.243 shares     | 1,748,995      |
| Legg Mason Partners Aggressive Growth                                      | 65,861.293 shares     | 7,710,382      |
| Harbor International   | 44,679.277 shares     | 3,188,313      |
| Managers Fremont Institutional Micro-Cap                                   | 44,196.053 shares     | 595,321        |
| Spartan US Equity Index*   | 97,387.988 shares     | 5,054,437      |
| Templeton Developing Markets A   | 314,507.086 shares    | 9,592,466      |
| KB Home Stock Fund:  |                       |                |
| KB Home Common Stock*  | 376,290.000 shares    | 8,127,864      |
| Fidelity Cash interest bearing*  |                       | 550,071        |
| Participant Loans*   |                       |                |
| Interest rates ranging from 5.0% to 10.5% with maturity dates through 2022 |                       | 3,960,563      |
|  |                       | \$ 184,776,750 |

\*

Party-in-interest  
to the Plan.

10

---

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

KB Home  
401(k) Savings Plan

Dated: June 27, 2008

By: /s/ DOMENICO CECERE  
Domenico Cecere  
Executive Vice President and Chief Financial  
Officer



**Table of Contents**

**EXHIBIT INDEX**

| Exhibit No. | Description  | Sequentially<br>Numbered<br>Page |
|-------------|--|----------------------------------|
| 23.1        | Consent of Independent Registered Public Accounting Firm | 13                               |